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Copyright Protection of Original Designs-- Absence of Statutory Notice.—Peter Pan Fabrics, Inc. v. Martin Weiner Corp.

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Ohio shortly after the principal decision in Illinois. There the plaintiff sought to have a release set aside on the ground that he believed it was one relating only to claims for property damage, although the agreement clearly stated it was a full release of "all claims . . . and causes of action on account of injuries resulting from collision of motor vehicles."⁶ The court, however, rejected plaintiff's claim and held the general release could not be set aside on such grounds. It would appear that the plaintiff would have been more successful if he had sought to have the release wholly set aside for the reason that injuries developed which could not have been known at the time the release was signed thereby rendering the \$59.50 settlement inequitable. While the Ohio court narrowly confined its decision to the point that it would not allow a general release to be overcome by the allegation of the suing party that the settlement was for property damage alone, it is possible that if the plaintiff had sought to have the release set aside on the suggested grounds, the court would have followed its decision in *Connolly v. United States Steel Company*,⁷ in which it stated, "Where one injured in an accident reads and understands the contract of settlement and release, signs the contract for a valid consideration, and makes no claim that the contract was procured by fraud, and makes no application to set it aside, he is bound by its terms"⁸

In the light of this language, the Ohio court might have been disposed to reach a decision similar to that in the principal case.

The true impact of the *Ruggles* case is felt by a prospective defendant who in an out-of-court settlement seeks a release in the most comprehensive terms. In considering his position, it must be borne in mind that as a practical proposition, releases are rarely attacked because of after-discovered injuries.

In *Ruggles*, the court scrupulously confined itself to the facts before it. It is possible that given a material change in the facts, the settlement would not have been found so unfair as to be unconscionable. Since the facts weigh so heavily it is difficult to formulate a definitive rule on the basis of the case. In this, as in other areas of equity jurisdiction, a court must trust more to the application of its discretion to the facts given, than to the application of a strict and stable line of precedent.

SHEILA M. McCUE

Copyright Protection of Original Designs—Absence of Statutory Notice.—*Peter Pan Fabrics, Inc. v. Martin Weiner Corp.*¹—The plaintiff, Peter Pan Fabrics Inc., engaged in the business of purchasing uncolored cloth, printing designs upon it, and reselling the finished cloth to dress

⁶ Id. at 529, 166 N.E.2d at 757.

⁷ 161 Ohio St. 448, 119 N.E.2d 843 (1954).

⁸ Id. at 451, 119 N.E.2d at 847.

¹ *Peter Pan Fabrics, Inc. v. Martin Weiner Corp.*, 274 F.2d 487 (2d Cir. 1960) (L. Hand, J., Friendly, J. dissenting), 73 Harv. L. Rev. 1613.

manufacturers, purchased an original painting called "Byzantium" from a Paris studio, reproduced the design on cloth, and registered it with the copyright office as a "work of art." Each repetition of the design bore the statutory copyright notice on the selvage (edge) of the cloth.

Purchasers of cloth, in the process of manufacturing it into dresses, either cut off the notice-bearing edge or sew it into the seams. Thus, at best, the copyright notice can be found only by turning the dress inside out and examining the seams.

The defendant, also a fabric converter, purchased a dress manufactured from the "Byzantium" fabric, used it as a model for a similar design, making deliberate but slight variations in its details, and offered its fabric in competition with Peter Pan at a lower price.

In the Federal District Court (S.D.N.Y.), the plaintiff sought and obtained an injunction restraining the defendant from copying the design.² The defendant appealed on two grounds: that its design was not sufficiently similar to "Byzantium" to constitute infringement and, in the alternative, that the plaintiff forfeited its copyright because of the absence of notice on the finished garments, the form in which the cloth was ultimately sold and used.

The Circuit Court of Appeals affirmed by a divided court, holding that the defendant's fabric infringed the copyright because the aesthetic appeal of the two fabrics was the same. On the issue of invalidation (forfeiture), it was held that the defendant failed to sustain the burden of proof of inadequate notice of copyright.

The dress fashion industry has long been seeking some effective means of protection against design piracy. The common law copyright, which was lost immediately upon general publication of the copyrighted article, and the protection afforded against the tort of unfair competition, usually restricted to palming off, proved quite inadequate.³ The economic life of dress fashions being usually limited to one season, protection afforded by design patents is impractical because, to acquire such, a considerable amount of time is required for examination for novelty and search through prior registrations. However, the copyright statutes do afford some measure of protection to fabric designs as either works of art or prints.⁴ The doubt as to whether utilitarian art is within the purview of the Copyright Act was resolved in the affirmative by the Supreme Court in *Mazer v. Stein*.⁵

Statutory copyright offers the fabric designer the advantage of simple

² *Peter Pan Fabrics, Inc. v. Acadia Co.*, 173 F. Supp. 292 (S.D.N.Y. 1959).

³ See *Cheney Bros. v. Doris Silk Corp.*, 35 F.2d 279 (2d Cir. 1929), cert. denied, 281 U.S. 728 (1930). See generally, *Protection of Styles and Designs in the Garment Industry*, 26 U. Cinc. L. Rev. 86 (1957); *Weikart, Design Piracy*, 19 Ind. L.J. 235 (1944).

⁴ 17 U.S.C. §§ 5g (reproductions of works of art), 5k (prints and pictorial illustrations) (1958); *Peter Pan Fabrics Inc. v. Brenda Fabrics Inc.*, 169 F. Supp. 142 (S.D.N.Y. 1959), 34 Notre Dame Law. 457.

⁵ 347 U.S. 201 (1954).

registration procedures.⁶ No search is made of prior registrations, there being no requirement that the work be novel. It may be a new expression of a design already in the public domain.⁷ However, a copyright protects only the designer's expression, not the ideas which the expression contains. The protection afforded is against copying only⁸ and a plurality of valid copyrights of an identical expression is possible if the proprietors have independently arrived at it.⁹ Although protection extends beyond a mere photographic reproduction of the design, the tests for infringement are at best nebulous. The court in the instant case, in determining the extent of protection, considered the use for which the work was intended and the scrutiny ordinary observers would give it. The test applied was whether the aesthetic appeal of the two fabrics was sufficiently similar to constitute infringement.¹⁰

Notice as a condition of copyright protection first appeared in federal legislation in 1802.¹¹ Prior to the present Act of 1909, a copyright was secured only by filing a title in the Copyright Office and depositing copies prior to publication. The present Section 10 changed the procedure to permit the copyright to be secured by the act of publishing a work with the appropriate notice affixed to the copies.¹²

The omission of the notice on the initial or subsequent publication by the proprietor or with his authority results in a forfeiture of the copyright.¹³ Moreover, notice which is defective in failing to follow the literal form specified in the statute will result in a forfeiture,¹⁴ unless the proprietor can bring himself within the protection of the accident or mistake section

⁶ See 17 U.S.C. § 10 (publication with notice), § 11 (registration of claim) (1958). See generally Seidel, *What the General Practitioner Should Know About Trademarks and Copyrights* 117-24 (ALI 1957).

⁷ *Alfred Bell & Co. Ltd. v. Catalda Fine Arts Inc.*, 191 F.2d 99 (2d Cir. 1951) (Frank, J.).

⁸ *Id.* at 103.

⁹ *Id.* at 103 (dictum).

¹⁰ *Peter Pan Fabrics v. Martin Weiner Corp.*, *supra* note 2. Compare *Millworth Converting Corporation v. Slifka*, 276 F.2d 443 (2d Cir. 1960). A different test for infringement is applied to a fabric design already in the public domain. The area of protection for such a copyright is more restricted than that afforded an original design because the public is entitled to use "all that went before", including the proprietor's contribution. The public may use the general patterns, but it may not use the proprietor's original and distinctive variations. In the *Millworth* case the plaintiff photographed an embroidered design and reproduced it on a flat fabric, creating a three dimensional effect. There was no infringement because the defendant's copy failed to achieve the three dimensional effect.

¹¹ U.S. Copyright Office, *General Revision of the Copyright Law*, Study No. 6, *Notice of Copyright 1* (1958).

¹² *Id.* at 7.

¹³ *Kraft v. Cohen*, 117 F.2d 579 (3d Cir. 1941).

¹⁴ *Louis Dejonge & Co. v. Breuker & Kessler Co.*, 235 U.S. 33 (1914) (Holmes, J.); *Deward & Rich v. Bristol Savings & Loan Corp.*, 120 F.2d 537 (4th Cir. 1941). But compare *H. M. Kolbe Co. v. Armagus Textile Co.*, 279 F.2d 555 (2d Cir. 1960) (Per curiam, Friendly, J. dissenting).

of the statute.¹⁵ However, even in such instance there must be some step toward compliance.¹⁶ Notice which is intentionally defective does not come within the protection of Section 21 of the Copyright Act.¹⁷ But once the plaintiff has shown that he has obtained a valid copyright, the burden of proof on the issue of invalidation is on the defendant.¹⁸ Although bills have been proposed on numerous occasions since 1909, which would have either dispensed with notice as a condition of copyright or liberalized the notice provisions, none have been adopted by Congress.¹⁹

The copyright problems of the dress fabric industry were not in the contemplation of Congress when the present Act was drafted. The Court in the instant case, called upon to apply the statute in a relatively new context, liberally construed the statutory provision for the omission of notice by accident or mistake to cover the case where the notice was concealed from the final user to prevent the destruction of the product's market value. The burden was placed on the deliberate copyist to prove that notice could have been embodied in the design without impairing its market value.²⁰ The court departed from the trend of prior decisions and rejected the analogy of the publication cases.²¹ The consequence is a result contrary to the registration regulations of the Copyright Office.²² The Court has in effect liberalized the statutory notice requirements where Congress has refused to do so.

Concededly, the dress manufacturers are, in one sense, the consumers of the fabric and are put on notice that a copyright exists, with means of identifying the copyright owner. Yet no such notice is provided the general public and an injunction will lie even against an innocent infringer.²³ It might be argued that the court has merely decided what is necessary to support the grant of a preliminary injunction. However, the preliminary

¹⁵ 17 U.S.C. § 21 (1958): "Where the copyright proprietor has sought to comply with the provisions of this title with respect to notice, the omission by accident or mistake of the prescribed notice from a particular copy or copies shall not invalidate the copyright. . . ."

¹⁶ *National Comics Publications v. Fawcett Publications*, 191 F.2d 594, 601 (2d Cir. 1952) (L. Hand, J.).

¹⁷ *Advertisers Exchange Inc. v. Anderson*, 144 F.2d 907 (8th Cir. 1944); Cf. *Trifari, Krussman & Fishel, Inc. v. B. Steinberg-Kaslo Co.*, 144 F. Supp. 577 (S.D.N.Y. 1956).

¹⁸ *Modern Aids, Inc. v. R. H. Macy and Co.*, 264 F.2d 93 (2d Cir. 1959) (L. Hand, J.).

¹⁹ U.S. Copyright Office, Study No. 6, *supra* note 11, at 54.

²⁰ *Peter Pan Fabrics v. Martin Weiner Corp.*, *supra* note 2.

²¹ *Id.* at 491 (dissenting opinion).

²² 37 C.F.R. § 202.2(b)(7) (Supp. 1959): "(b) Defects in notice. Where the copyright notice does not meet the requirements of the law, the Copyright Office will reject an application for copyright registration. Common defects in the notice include, among others the following: . . . (7) A notice is permanently covered so that it cannot be seen without tearing the work apart . . ."

²³ *Buck v. Jewell-La Salle Realty Company*, 283 U.S. 191, 198 (1931).

injunction decides the issue between the parties because the limited life of the design renders further litigation economically unfeasible.²⁴

Despite any inconsistency with prior case law and regulations, the result reached seems to be in accord with the economic philosophy behind the copyright law: "Sacrificial days devoted to such creative activities deserve rewards commensurate with the services rendered."²⁵

WILLIAM P. SULLIVAN

Corporations—Dissolution—Shareholder Deadlock.—*Jackson v. Nicolai-Nepach Co.*¹—Plaintiff, fifty per cent owner of defendant corporation's outstanding stock, occupied one seat on the three-man board of directors, the other two directors being the owners of the balance of the shares. To secure equal representation on the board, plaintiff sought to amend the by-laws to increase the number of directors to four. A shareholder deadlock developed over the proposed amendment and as a result of the impasse the plaintiff brings an action to dissolve the corporation.² The Supreme Court of Oregon affirmed the dismissal of the suit. HELD: The plaintiff must establish that a dissolution will be beneficial to the shareholders.

Because continuity of existence is one of the fundamental differences between corporations and other associations, courts have refused to assume jurisdiction of petitions for dissolution where such remedy has not been provided by statute.³ While there are jurisdictions which believe that a court of equity has inherent power to liquidate and wind up the affairs of a corporation,⁴ even in such jurisdictions an allegation of a shareholder

²⁴ *H. M. Kolbe Co. v. Armigus Textile Co.*, supra note 12, at 557 (dissenting opinion).

²⁵ *Mazer v. Stein*, 347 U.S. 201, 219 (1954).

¹ 348 P.2d 9 (Oregon 1959).

² No contention was made by plaintiff that the corporation had not thrived under its present management, nor was it urged that she had been denied a voice in management or that her interests had been injured in any way. Plaintiff's evidence was directed at showing an inability to elect any new directors at four successive annual meetings. Suit was brought under Ore. Rev. Stat. § 57.595(1)(a)(c) (1957): "(1) The circuit courts shall have full power to liquidate the assets and business of a corporation; (a) In an action by a shareholder when it is established: . . . (c) that the shareholders are locked in voting power, and have failed, for a period which includes at least two consecutive annual meeting dates, to elect successors to directors whose terms have expired or would have expired upon the election of their successors; . . ."

³ *Alabama Coal & Coke Co. v. Shackelford*, 137 Ala. 224, 34 So. 833 (1903); *Wall & Beaver Street Corp. v. Munson Line, Inc.*, 58 F. Supp. 101 (D. Md. 1943); *Lush's Brand Distributors, Inc. v. Fort Dearborn Lithograph Co.*, 330 Ill. App. 216, 70 N.E.2d 737 (1946); *Wallace v. Pierce-Wallace Pub. Co.*, 101 Iowa 313, 70 N.W. 216 (1897); *Wills v. Nehalem Coal Co.*, 52 Ore. 70, 96 P. 528 (1908).

See also *Ballantine, Corporations* § 304 (1946); 16 *Fletcher, Cyc. Corp.*, §§ 8077, 8080 (perm. ed. 1942).

⁴ *Bowen v. Bowen-Romer Flour Mills Corp.*, 114 Kan. 95, 217 P. 301 (1923); *Fleming v. Heffner & Flemming*, 263 Mich. 561, 248 N.W. 900 (1933); *Guaranty Laundry Co. v. Pulliam*, 200 Okl. 185, 191 P.2d 975 (1948).